

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

EXPERIMENTAL PERIODICALS
CO-PALLETIZATION DROPSHIP
DISCOUNTS FOR HIGH EDITORIAL
PUBLICATIONS, 2004

Docket No. MC2004-1

REPLY COMMENTS OF UNITED STATES POSTAL SERVICE
(June 21, 2004)

In accordance with Presiding Officer's Ruling No. MC2004-1/5 (May 27, 2004), the Postal Service hereby provides its response to comments filed on June 15, 2004. Time Warner Inc. (Time Warner) does not oppose the Postal Service's proposal, but criticizes it because it is a limited proposal that does not seek broader rate reform. Magazine Publishers of America, Inc. (MPA) supports the Postal Service's proposal, but criticizes the eligibility requirements. MPA also urges the Postal Service to pursue cost-based rates in the next omnibus rate case. The Postal Service believes that its limited proposal is just right for filling a gap in the current co-palletization experiment (Docket No. MC2002-3). Moreover, the proposal should be acted upon independently of any issues related to rate reform.

This case was filed before the Complaint of Time Warner Inc. et al. Concerning Periodicals Rates (Docket No. C2004-1), and was not intended to make a statement about comprehensive reform of Periodicals rates, or pricing

theory or policy.¹ Instead, this case is directed at a small rates issue related to the current co-palletization experiment. The proposal directly responds to the failure of the current co-palletization incentives to influence high editorial publications to co-palletize. USPS-T-1 at 5-6. As supported by most participants in this proceeding, that gap should be filled so that co-palletization programs can continue to grow.

The Postal Service therefore requests that the Commission issue an Opinion and Recommended Decision favoring the proposed DMCS and fee schedule changes for experimental co-palletization dropship discounts for high editorial publications. Issues related to broader Periodicals rate reform should be left to other proceedings before the Commission.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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/s/
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¹ The Postal Service provided the justifications for the eligibility constraints in testimony and discovery responses. USPS-T-1 at 7; response to interrogatory TW/USPS-T1-2. The Postal Service furthermore addressed Time Warner's concerns about pricing policy in witness Taufique's testimony (USPS-T-1 at 5-6, 12-14) and response to interrogatory TW/USPS-T1-17.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

/s/

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